



## Issues relating to budget padding in Nigerian

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### Abstract

This study is aimed at evaluating the budgetary issues relating budget padding of 2016 using data collected from different sectors of economy in Anambra state, the study employed survey research design. Questionnaires and personal interview method were used in data collection. Frequency table and percentage were used in analyzing the data collected. The findings of the study are as follows; Budget Padding has no significant impact on the Nigerian economy, the role played by the legislative arm of government in 2016 Budget Padding was not constitutional, the executive did not participate in the planning of 2016 Budget Padding. Hence, the study recommends as follows; the government should employ staff that will be checkmating the activities of the office of budget sector, the legislative should be excising the power as invested on them by the constitution in such a way and manner that shall be beneficial to the masses and the nation of large, the budget can only be influenced when such action can benefit the economic growth and development of that country and the executive should be exposed on the issues relating to budgeting and also employ skilled personnel that are conversant with budgetary issues.

**Keywords:** Budget, Budget padding, Budget slack, Economic growth, Budget surplus, Budget deficit

### 1. Introduction

Budget is a method of communicating the goal of an organization to the appropriate managers in the order to facilitate, coordinate and manage the sectors of the organization to achieve the desired outcomes. According to Chartered Institute of Management Accounting (CIMA), a budget could be define as a plan stated in quantitative monetary terms which is prepared and approved prior to a defined period and capital to be employed to attain a given objective. Organizations and government give annual budget in every financial period to guide the financial activities of that particular year. Usually, there have been evidences of either surplus or deficit budgeting in the past and in Nigeria particularly. Thus, the evidence of budget padding in 2016 was new development in the country.

Budget padding is not common, it is a resent development in this part of the world and different people have started viewing it in different ways. According to Waliab (2016), padding the budget is a practice that some people use in business when submitting a budget for approval, it artificially inflects the proposed budget in order to give the project room to expand or to cover unexpected costs. Padding the budget could be making the budget proposal larger than expected. Hence, this is done through either of the sides of budget. That is by adding values to the expected expenses or decreasing its expected income. Otherwise, one may see increase beyond current estimates as padding.

The addition of value to normal estimates is termed padding when it is intentional and planned for a purpose. Most often, the padding is made when inflation is anticipated or in the case of international projects, when the exchange rate is unpredictable to protect and cover unexpected expenses in the course of the project to favour the authority and finally, the fear of budget cuts can also lead to budget padding.

### State of the Problem

Budget padding in Nigeria has been viewed by many people as unethical. Thus, it is not actual budget; it a budget inflated by the budgetary personnel(s)/unit. Influencing of the budget may be to achieve their selfish targets or that of their superiors. The 2016 appropriation bill may go down in history as the most controversial budgeting process in Nigeria. Hence, this is the first time the nation was confronted with a phenomenon called budget padding; specifically, Nigerians see it as a situation that is described as criminal inflation of budgetary estimates, by some of the top governance officials with clear intention to personal benefits and it is seen as fraudulent act at the expenses of the country and it is against this background that the researcher decides to study on these objectives

### Research Objectives

The main objective of the study is to examine impact of budget padding on the economic growth of Nigeria. The specific objectives are to

1. Examine if budget padding has positive influence on the economy.
2. Determine the impact of budget padding on inflation
3. Determine the effect of budget padding on the expenses of the government
4. Examine the influence of budget padding on the attitude of the masses on government.

### Research Questions

1. Does Budget padding have any significant influence on the Nigerian economy?
2. Does the legislative arm of government in Nigeria effectively and judiciously exercise their constitutional power on the budget padding of 2016 in Nigeria?

3. Was the executive arm of the government aware and involved in 2016 budget padding in Nigeria?

**Review of Related Literature**

**Conceptual Framework**

**Budget**

The word budget simply means the expected income and expenditure of a specified group or project for a specified period of time. The budget serves as a guide to the group that proposed it for the day to day activities of that body or for execution of a particular project. Perlin (1958) opined that the word budget originated from the French word “baguette” (little bag). According to Aguguoma and Ehiogu (2016) [1], in Britain, budget was used to describe leather bag in which the chancellor of the exchange carried to parliament containing the statement of government needs and sources. In the study of Garrison and Folla (2002), he defined budget as a detailed plan for acquiring and using financial and other resources over a specified time period. A budget is a document where an organization (business or government) put down in written form its plans mostly as it relates to expenditure and revenue for a specified period mostly on yearly basis. It is meant for future use, it is guiding the organization towards achieving the targeted goal(s). For Sachdeva and Sogan (1980), budget in modern times means a financial scheme or statement or the document which contains estimates of revenue and expenditure for a year. Bhattacharya (2000) opined that budget is more than estimates of revenues and expenditures, but encompasses report regarding how government managed affairs in the previous. The technicality of budget depends on the nature, purpose and proposer. Most often, a budget becomes the sum of money allocated for a particular purpose and the summery of intended expenditure along with proposals for how to meet them. Most often, the budget may be a surplus budget, providing excess money for use at a future time, or a deficit in which expenses exceed income. The budget surplus or deficit sometimes is use by government in influencing of the macroeconomic environment and it is acceptable tool for controlling of the economic sectors. Hence, the recent development associated with 2016 appropriation bill was not seen as budget deficit

or surplus rather was tagged budget padding.

**Budget padding**

Budget padding was first experienced in Nigeria in 2016. The road to this unfortunate episode began with the report that 2016 budget was missing. It was later revealed that the executive had sent a second version different from the original one presented at the joint sitting of the entire National Assembly by President M. Buhari. It was discovered by the legislature in the cause of their scrutiny of the budget that certain irreconcilable figures were added by way of inflating budgeting estimates. This is with the intention to convert some to personal monetary gains if passed into law. Budget padding has some criminal inclinations which distinguished it from surplus budget. Budget padding therefore means making the budget proposal larger than the actual estimates for the project with the clear intention to personally benefit from proceeds of the fraudulent act, at the expense of the country. According to Ndukwe (2017) [5], budget padding means the expansion or increasing of budget with needless, misleading or fraudulent intention. It is the act of illegally adding items to the budget proposal to make it larger than the original or actual estimates for personal or group gain. Budget padding involves the insertion of figure into the budget or mutilation of the budget without the consent of the owner of the document (the president) or with intent to betray the initial objectives of the budget preparation, simply put; budget padding means overestimating cost and or underestimating revenue for criminal purposes. Though, there are still a lot of controversies over budget padding in Nigeria. Hence, the national assemble has the constitutional powers of appropriation. They can alter the budgeting estimates as presented by the executive. This power can be exercised by removing or adding and removing of values or projects, reduction or increment of estimated figure and increment or reduction of the total budgeting estimates. These powers are derived from the 1999 constitution as amended, as expressly stated in clear terms in section 81 subsection 1,2,3 and 4. In carrying out this constitutional duty, the national assemble cannot be accused of padding the budget, since it has the power to alter the budget.

Webometric Analysis of Empirical Studies on Budget Padding and Economic Growth

**Table 1**

S/No	Author/Year	Objective	Variables used	Methodology	Finding(s)
1	Ndukwe (2017) [5]	Public Budgetary Process and Budget Padding; The Nigeria Experience	Public Budget and Budget Padding	Documentary Research	The padding was done by executive and the legislative are empowered by constitution to make changes if needful
2	Aguguoma & Eligbo (2016)	Budget Padding: Nigeria Perception	Budget, Padding	Content Analysis Research	Budget padding had been an entrenched process in finance and budgeting process in Nigeria through the years but got to disturbing rate in 2016
3	Jaye (2016)	Budgetary, Constituency Projects, Corruption and the Trouble with the Nigeria Ruling Elites	Budget, Padding, Projects, Corruption.	Empirical Analysis	Current Budgetary process is grossly defective
4	Otive (2017)	Nigeria Budget what are the issues?	Budget, Process, Project.	Content Analysis	Budgetary process can be improved by addressing the process, content and implementation challenges
5	Ita (2016)	How to stop Budget Padding	Budget, Padding	Paper presentation	Budget padding is possible due to the constitutional right given to legislators
6	Young (1985)	Participative budgeting: the effect of risk aversion and asymmetric information on budgetary slack	Budget, Padding, Slack	Empirical Analysis	Budget slack and padding take place when staff underestimated their production capabilities in order to make certain that

					they achieve the standards set in the budget by top management
7	Stanley & Magner (2007)	Budgeting Fairness, Supervisory trust and the Propensity to create Budgetary Slack	Budget, Slack	Content analysis	Trust in supervisors is a key variable that affects superior’s opinions of budgetary procedure fairness.
8	Ozer & Yilmaz (2011)	Effects of Procedural Justice Perception, Budgetary Control, Effectiveness and Ethical Work Climate on Propensity to Create Budgetary Slack.	Budget, Control, Ethical, Work, Slack	Content Analysis	Trust in supervisors and target commitment influence the correlation between justice perception and propensity to create budgetary slack

**Methodology**

**Research Design**

The research method adopted in this work is the survey research techniques. This methodology was adopted due to the nature of this study and this informed the use of primary data. Budget padding was first experienced in Nigeria in 2016 and much study has not been conducted on it. Surveys involved questions that are usually fixed and classified responses which provide a platform for comparisons quantitatively. Primary data were sourced via questionnaires and oral interviews. Frequency distribution and simple percentages are the descriptive statistical techniques used to analyze responses from respondents.

**Population**

Population is referred to as the entire members of elements in which the researcher is interested on (Okuma, 2015). In other words, it implies a set of all possible causes of interest in a given research activity. Thus, the population of the study is all the people that interested in the Nigerian budget.

**Sample of the study**

Example is referred to as the selected members of the entire population (Okuma, 2015). In selecting the sample, the researchers, make use of cluster random sampling

techniques which is restricted to Anambra State. This method is used due to nature of the population and for effective management of the data needed. The population is subdivided into clusters: agricultural, manufacturing, commerce, oil and gas, communication, quarrying and mining sectors. This is to ensure that the study captures the effects of budget padding on various sectors of the economy. Hence, fifty (50) members of each cluster were selected to be members of the sample for this study and we have a three hundred (300) sample size.

Total of 300 questionnaires were distributed out of which only 250 were properly filled and returned which represent 83.3% return rate. Our analysis was based on the return questionnaire.

**Data Presentation and Analysis**

Legend: Agricultural Sector = AG, Manufacturing Sector = MA, Commerce Sector = CO, Oil and Gas Sector = OG, Communication Sector = CT, Quarrying and Mining = QM, Total = TL, Ground Total = GT.

**Research questions**

The data presented here are those collected from the field survey in the appraisal of research questions.

**Yes No**

**Table 2**

		AG	MA	CO	OG	CT	QM	TL	AG	MA	CO	OG	CT	QM	TL	GT		
1	Does budget padding have significant influence on Nigeria economy?	11	28	21	15	13	15	103	30	13	21	27	29	27	147			
		TL							103								147	250
2	Does the legislative arm of government in Nigeria efficiently and judiciously exercise their constitutional power on the padding of 2016 budget	22	20	15	13	12	13	95	20	22	27	29	30	27	155			
		a							95								155	250
3	Is the executive arm of government aware and involved in the 2016 budget padding in Nigeria	20	13	18	20	18	16	105	22	29	24	22	24	24	145			
		Total							105								145	250

Source: survey questionnaires

**Data Analyses**

This study employed frequency table and percentage in its analyses. The test is based on the data collected from the field survey on the study.

**Research Question One**

**Does budget padding have any significant influence on the Nigerian Economy?**

The frequency above table indicated that out of 250 respondents properly returned their questionnaires, 103 (41.2%) respondents concurred that budget padding has significant influence on the Nigeria economy and should be encouraged. While 145 respondents having 58% of the total percentage are of the view that budget padding has no positive effect on the economy.

Some responses through interview indicated that budget

padding is criminal inflation of budgeting estimation by some of the top government officials with clear intention to personal benefit at the expenses of the country. According to Prof. Isaac Adewole during his budget defense on February 8<sup>th</sup> he claimed that the figure contained in the document before him was strange and did not originate from him. This claim was found in all the portions of the budget where billions of naira was alleged to have been smuggled into the original estimates. The extent in which the budget is inflated will be one of the determinant factors of inflation. It is fraudulent and not encouraging. It will to excess funds that should be left and not account for after the execution of a project. It leads to recurring projects, especially, spend money unnecessarily in order to use up their entire budgets. The process of padding always leads to delay in the passage of budget and will have negative effect on the

implementation of the campaign promises of the government. It causes misunderstanding among the members of the government and leads to difficulties in decision taking. At last all these will lead to unhealthy economic situation in the country.

**Table 3**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	103	41.2	41.2	41.2
	no	147	58.8	58.8	100.0
	Total	250	100.0	100.0	

Source: Authors computation using SPSS computer package

**Research Question Two**

**Was the role of the legislative arm of government in budget padding constitutional**

The frequency table indicates that out of 250 responses, 95 that are represented by 38% were of the opinion that the activities of the legislatures on budget padding of 2016 were constitutional. While 155 responses represented by 62% of the total responses were against the actions of the legislative arm of government on budget padding.

Though, the proposal has to come from the executive arm of the government. At the same time the legislators have constitutional right to amend the proposal budget (as in 1999 constitution as amended as expressly stated in clear term in section 81 subsection 1, 2, 3 and 4). Such power of the constitution is vested on them and expected to be used positively. In 2016 budget padding, the legislators did not use their power to amend any proposed bill judiciously. Hence, one thing is to have a right and the other is how the right is used. The face-off between the speaker Yakubu Dogara and his one-time Staunch, Supporter, Hon, Jibrin A. Mumin who was sacked as the chairman of appropriation in the Federal House of Representatives then accused the speaker and other principal officer of budget padding. The legislative could not react on the action of the executive on some of its members that were sacked or punished because of budget padding. This also justified the thinking that legislative section of the government could not defend their participation on the budget padding. Hence, the activities relating to 2016 budget padding was not constitutional.

**Table 4**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	95	38.0	38.0	38.0
	no	155	62.0	62.0	100.0
	Total	250	100.0	100.0	

Source: Authors computation using SPSS computer package

**Research Question Three**

**Was the Role of the Legislative arm of Government in Budget Padding Constitutional**

The result of the frequency table number three shows that 105 respondent represented by 42% of the total responses are of the opinion that presidency was involved in the 2016 budget padding, while 145 respondents are of the opinion that the presidency did not partake in the 2016 budget padding. The issues relating to participating of the executive in the padding was controversial. Ordinarily, it looks as if the executive initiated and perfected the budget padding. Hence, few interviewed respondents posit that issues surrounding budget padding was an intention of the

executive and the blame for such criminal acts should go to the executive. There reasons are that the episode of budget padding started with 2016 budget missing later, a second version of 2016 budget was sent and was presented at the joint sitting of the entire National Assembly by president Buhari. Then it was in the house that discrepancies between the two budgets were noticed. The presidency accepted the fact that it replaced the first version of budget with second one because of irreconcilable figures in the first version. Controversy came up which the executive decided not to spare any person involved in the action of padding the 2016 budget. The president acted swiftly by approving the sack of the Director General of budget office of the federation, Yahya Gusau and other top management staff of the budget office on the 14<sup>th</sup> of February. The Abdul Mumin who was the chairman of appropriation in the federal house of Representative was sacked with other principal officers of budget padding and the executive did not defend or protect any of them. Most of the ministers in defending their proposal budgets claimed that the figures contained in the documents were strange as did not emanate from them. This indicates that the padding of the budget was not initiated by the executive.

**Table 5**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	95	38.0	38.0	38.0
	no	155	62.0	62.0	100.0
	Total	250	100.0	100.0	

Source: Authors computation using SPSS computer package

**Summary of Findings and Conclusions**

Results from the field survey which is analyzed using frequency table and percentage statistical tools of SPSS revealed as follows

1. The 2016 Budget Padding has no significant impact on the Nigerian economy.
2. The role played by the legislative arm of government in 2016 Budget Padding was not constitutional
3. The executive did not participate in the planning of 2016 Budget Padding.

**Recommendation**

Base on the objectives and results of the analysis of this study, the researcher therefore recommends as follows  
 The government should employ staff that will be checkmating the activities of the office of budget sector.  
 The legislative should be excising the power as invested on them by the constitution in such a way and manner that shall be beneficial to the masses and the nation of large.  
 The budget can only be influenced when such action can benefit the economic growth and development of that country.  
 The executive should be exposed on the issues relating to budgeting and also employ skilled personnel that are conversant with budgetary issues.

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